

# FOREIGN POLICY BULLETIN

*An analysis of current international events*



1918-1949

FOREIGN POLICY ASSOCIATION • INCORPORATED • 22 EAST 38TH STREET • NEW YORK 16, N. Y.

VOL. XXIX No. 12

DECEMBER 30, 1949

## ***Military Aid Program Threatens to Overshadow ERP***

WASHINGTON—Military considerations, which became secondary last spring when the administration of the defense establishment passed from James V. Forrestal to Louis C. Johnson, are once more exerting a noteworthy influence on formation of foreign policy. The revival of the belief that the Western powers can attain security primarily through weapons and armies has been manifested in the negotiations which the United States opened this month in the capitals of the European signatories of the North Atlantic pact. Before the new year is very old, American ambassadors and military attachés in the countries affected will probably have signed a bilateral agreement with each pact partner governing the use of the armaments which the Military Assistance Act authorizes the United States to donate to foreign nations. Greece, Turkey, Iran, Korea, the Philippines and China are also authorized recipients.

### ***Arms and the ECA***

The negotiation of bilateral arms aid agreements will affect the conduct of the European Recovery Program. Judging from the statements of some Senators, the chief barrier to the legislature's acquiescence in the Administration's foreign policy during the coming session of Congress will be the growing desire to economize. The current appropriation for military assistance totals \$1,304,000,000, and the Administration is expected to ask for its renewal in the next fiscal year. To a thrift-minded Congress, that program could be covered in part by cuts in Marshall aid.

Some Congressmen express the opinion that American aid has already enhanced European security enough to permit the United States to reduce such aid without endangering its political aim—here regarded by many persons as the paramount purpose of the ERP—of containing Russia and weakening the Communist parties in Western and Southern Europe. For example, Senator Elmer Thomas, Democrat of Oklahoma, an influential member of the Senate Appropriations Committee who visited Europe during the autumn, has congratulated the Economic Cooperation Administration on its success in frustrating the U.S.S.R.

Economizing on foreign commitments is now advocated not only by isolationists but also by Senator Arthur H. Vandenberg, Republican of Michigan, one of the main architects of American post-war foreign policy who, without mentioning any figures, recommended during a press conference on December 21 that the United States reduce its foreign aid spending. The contribution of the recovery program to Western European security, however, has not prompted any member of Congress to suggest abandonment of the Military Assistance Program, so as to divert to the ECA funds now assigned to finance arms aid. The two programs are competitive as well as complementary.

The bilateral negotiations and previous military discussions of the United States with the Atlantic pact partners have not entirely satisfied American military authorities that our pact partners in Europe will be able to execute successfully a joint strategic plan to prevent occupation

of the Atlantic countries by any potential enemy. This uneasiness has caused Washington to be interested in the arming of the West German state. Americans heard Viscount Montgomery, chairman of the Commanders-in-Chief of the Western European Union, recommend the arming of Germany when he spoke off the record in Washington and New York during his visit to the United States in November. Dr. Konrad Adenauer, West German Chancellor, addressing the Christian Democratic Union on December 9 at Koenigswinter, said that Germans have equal rights with other Europeans to participate in a European army, but did not urge a national German force. The decision of the American, British and French High Commissioners in Germany on December 8 to refrain from making statements about German remilitarization has not clarified the situation.

### ***Arms and Germany***

The financing of German troops in a European army, however, would confront both Chancellor Adenauer and the Western allies with a difficult problem. In signing a bilateral agreement on December 15 with the United States by which the German Federal Republic assumed direct responsibility for Germany's participation in the ERP, the Chancellor acknowledged also the responsibility of his government for settling at some time an indebtedness which now totals \$7.14 billion—including pre-war debts, obligations arising from currency devaluation, and the post-war trade deficit. Repayment of these debts, simultaneously with contribu-

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tions for an army, would so burden the German treasury that the new government might require additional financial assistance from abroad.

### ***Arms and Imperialism***

Meanwhile, the negotiation of bilateral military assistance agreements has confused the policy of the United States toward Europe's dependent areas. Last winter Washington rejected requests by the Netherlands for arms to be used in carrying out the Dutch "police action" against the Republic of Indonesia. The United States, moreover, successfully urged during the autumn meeting of the United Nations General Assembly the granting to the UN Trusteeship Council of vaguely defined but new supervisory authority over educational programs in trusteeship areas, despite objections by the British, French and Belgian governments.

Yet through the Military Assistance Program this country is at least indirectly strengthening the control of the British, French, and Belgian governments over their dependent areas. According to published reports, the bilateral agreements do not forbid Europe's colonial powers to use outside the area defined in the North Atlantic pact (the North Atlantic, Europe, the Mediterranean and Algeria) their own military forces which without American aid, might otherwise have to be used for home defense. For the French, this means strengthened forces in Indo-China, where French armies for four years have been waging war against the rebels under General Ho Chi-minh and where on December 30 Emperor Bao Dai may, under the terms of the treaty he signed with France last April, establish a nominally autonomous Viet Nam

government. For the British, the American concession in the bilateral agreement means that an increased supply of arms will be available for use in Malaya, where rebellious outbreaks have harried the constituted authorities for two years. Yet if the United States had imposed conditions on the use of domestic forces in exchange for American military aid, it would have opened itself to accusations of "imperialism."

So far as defense of Europe is concerned, the American concession may mean that, as the United States sends arms to the continent, the continental powers could send an equivalent quantity of arms to other parts of the world, with the result that Europe would remain as poorly armed under the Military Assistance Program as it was before Congress approved the program.

BLAIR BOLLES

## ***What Should United States Do in Formosa? (II)***

Of the three alternatives facing the United States in Formosa, the first two—direct intervention on behalf of Chiang Kai-shek, and repudiation of Chiang followed by intervention of the Supreme Commander for the Allied powers until a peace treaty has been signed with Japan—have been analyzed in last week's FOREIGN POLICY BULLETIN. Both have been shown to have many undesirable features from the point of view of this country's interests. This article examines the possibility of the third alternative—an early end to all American intervention with respect to Formosa, followed by decisions on long-range policy toward the island which can play an important role in the economic recovery of Asia.

### ***Communist Appeal Slight***

The Communists will not find it easy to persuade the Formosan-Chinese to cooperate whole-heartedly. Traditionally any controls imposed on the island from the mainland are suspect and disliked. It is possible that the Communists, recognizing this, will allow native Formosan-Chinese Communists, who are still few in number, to fill local government positions and represent the island in mainland political councils. This would create a strong appeal, for the fundamental right of self-government has been denied the Formosans in turn by the Manchus, the Japanese, the Kuomintang and (in Formosan opinion) by the American government,

which ignored their appeals during the 1947 crisis and massacre.

Until 1947 the Formosan-Chinese dreaded the threat of communism. Even in the midst of savage reprisals taken on the populace by the Nationalists, the one avowed Communist leader, a woman, was able to rally less than fifty followers for her flight into the mountains. Until then the Communist program had little to attract Formosans. During a half-century of Japanese rule the technological revolution and higher standards of living which the Communists promise had in fact long since been achieved on Formosa. Land redistribution proposals have exercised little attraction, since more than 60 per cent of the farmers owned all or part of their land in 1945 and all acreage owned by the Japanese was surrendered to the provisional government. There is a high degree of elementary literacy for a Chinese province—roughly 50 per cent, and it is well distributed in both urban and rural areas. The communications and transport system, the school system and the public health system all broke down under Kuomintang administration between 1945 and 1949. Hence the many Nationalist turncoats being accepted into Communist administrative ranks do not promise a more honest or effective administration.

Although the Japanese took the lion's share of wealth from Formosa, they increased its productive capacity by steadily raising the Formosan-Chinese stand-

ard of living. The Nationalists destroyed this relatively high standard. Communist administration will be judged by its capacity to restore and develop the complex economy. Here lies the clue to America's opportunity in Formosa—assuming that there will be time to make use of this opportunity.

### ***Point Four for Formosa?***

Our long-range objectives now include restoration and development of regional economies under Point Four, on the theory that rising living standards will reduce appeals to violence and demagogic control of the masses. Even under present circumstances Formosa affords a logical site for an intelligent Far Eastern experiment in applying the Point Four program. The island has been a surplus food production area, and it has an electric power system covering the entire territory. It possesses forests and modern extractive forestry equipment. It has 2,450 miles of railroads and some 12,000 miles of public highways, pulp mills and fertilizer factories, chemical works and oil refineries, modern coal, copper and gold mines, and installations for the use of natural gas in industry. In the best years it has produced 1.4 million tons of sugar, 50 million bushels of rice, and the world's third largest output of pineapples. The annual pre-war overseas trade was valued at more than 225 million American dollars, with the sugar and rice exports alone covering the cost of all

imports. From 1902 until 1942 the island returned a surplus to the Japanese government. This economic well-being was supplemented by experimental farms and laboratories, by research institutes and archives, and by an elementary school system which once numbered 900,000 pupils and maintained educational facilities in every district.

The economic recovery and rehabilitation of Formosa will be of primary importance to the Communist administrators, but they will be handicapped, as they are on the mainland, by lack of material equipment and technical leadership. If these cannot be obtained from the Western powers, they must be sought in Moscow.

Would it be possible, even now, to create conditions under which the Communist leadership would have to weigh the practical advantages of productive reconstruction in Formosa, with material

and technical support from the West, against the prospects of arduous recovery through empty-handed Russian support? Is it too late to make practical achievement in Formosa an important counterweight to the Russian record in Manchuria, where even the most ardent Chinese Communist has reason to question the sincerity of Russian cooperation?

Obviously direct American influence in Formosa, as well as in China proper, is at an end for years to come. We should not, however, create unnecessary difficulties for the British, who have effected significant recovery of their interests in Formosa since 1945, far outstripping American enterprise, and who plan to recognize the Peiping regime in the near future. Nor should we create difficulties through our administration in Japan, if in time a recognized Communist government seeks to renew the pre-war exchange of Japanese machinery and consumer goods for the

island's industrial salt, sub-tropical food-stuffs and the-like. We must reconcile ourselves to the fact that economic recovery in China is a prerequisite to political moderation in international affairs and, accordingly, refrain from actions that might retard the restoration of Formosa and prevent it from making its potential contribution to the economic recovery of both China and Japan.

GEORGE H. KERR

(The second of two articles on the alternatives the United States faces on Formosa. After five pre-war years of study in Japan and Formosa, Mr. Kerr served for two years as consultant on Formosa in the War Department and, as a Lieutenant in the Naval Reserve, created and directed the Navy's research unit on Formosa at Columbia University. He was Formosa specialist in O.N.I., and assistant naval attaché at the United States Embassy in China, with duty on Formosa, where he witnessed the Japanese surrender and took part in the establishment of the Nationalists. From 1946 to 1947 he was American vice-consul and Foreign Service staff officer on Formosa. At present he is with the Hoover Institute and lectures in the Department of History at Stanford University.)

## ***Why the Communists Have Won in China***

The expulsion of the Kuomintang from the China mainland was due primarily to the moral and intellectual decay of the Nationalists rather than to a deficiency in arms or other material resources. To blame the Kuomintang debacle on inadequate American aid, post-war removal of Manchurian industry by Russia, or other purely material factors, is seriously to misunderstand contemporary China.

### ***Sources of Strength***

When the Communists staged their great victory parade in Peiping early in February of this year, the most impressive fact about its hundreds of trucks, tanks, heavy artillery and other motorized equipment was that almost all of these were American-made weapons which had been captured, or in some cases obtained through bribery, from Kuomintang troops since 1945. What made this situation possible? Here are some of the factors that to this writer seem most significant:

(1) An explosive revolutionary situation has been generated primarily by the age-old pressures of too many people on the land and of landlords on peasants in rural China, intensified by the impact of Western technology and ideas. This situation, long antedating either the Communist or Kuomintang parties, has been skillfully exploited by the former, who drew on Marxist ideology, whereas the Kuomintang ignored or concealed the basic prob-

lem behind a deceptive veneer of modernism.

(2) Communist reforms—especially land reform—have given millions of Chinese a personal stake in the new order and, above all, a hope for the future. Moreover, these people are taught by the Communists that a better future for China and themselves depends essentially on their own hard efforts.

(3) The Communists were able to break with orthodox Marxist theory on many important points in order to deal with the economic and psychological realities of China as they see them. They began their program with the peasantry, for example, instead of with the urban proletariat. They distributed land in individual plots instead of collectivizing it. They encouraged non-Kuomintang private industry—sometimes by government loans or tax exemptions—instead of confiscating it. They won dissidents to their side through indoctrination and moral suasion, instead of exterminating them through bloody reprisals and terror. In all these policies they were guided by precedents in Chinese history and traditions.

(4) The almost religious faith of the Communists in their theory and program gave them confidence, dynamic energy and spartan willingness to subordinate personal considerations to the common cause. By example and indoctrination the Communists succeeded in transmitting this

fervor to large numbers of non-Communist Chinese.

(5) The Communists placed their message vividly before the masses, using ingenious propaganda techniques adapted to diverse cultural levels.

(6) Intellectuals were made to feel, as they had not for years under the Kuomintang, that their specialized skills are really needed in the new China. Moreover, Marxism, precisely because of its opposition to the discredited Chinese tradition on numerous points, seems to many intellectuals to offer a viable cure for China's ills.

(7) The democratic freedoms so prized in the West have never been really known in China, and therefore the political and ideological controls exercised by the Communists—usually non-violent but none the less effective—are ignored by China's masses and accepted by most intellectuals as the necessary price of salvation.

(8) In initiating land reform and planning for government ownership of certain major industries, the Communists are following long-time precedents in China, where large-scale enterprise has traditionally been subject to government controls.

(9) American support of an increasingly unpopular Chinese government has, in the eyes of many Chinese, discredited America and the principles for which it stands, and thus pushed these Chinese into the Communist camp.



(10) Despite a strongly pro-Russian line, especially in foreign affairs, the Communists have until now convinced their countrymen that they are Chinese patriots rather than Moscow puppets.

### Communist Weaknesses

All these factors taken together do not dispose of the numerous serious problems faced by the Communists. They have inherited a devastated economy and must grapple, as has every Chinese government, with the necessity of filling the common man's rice bowl if they are to avoid discontent. They are grievously short of trained personnel and have made mistakes in such unfamiliar fields as foreign trade, although they have tried to rectify some of these errors. They must tackle the prodigious task of organizing a huge and amorphous population to carry out their program. Like all fanatical believers in a cause, they run the risk of being blinded by their own ideology and propaganda. Difficult decisions concerning Manchuria, Formosa, Hongkong and Indo-China will undoubtedly create many headaches. But above all, they are novices in foreign affairs, and it is in this field that they have made their chief blunders. The significance of these weaknesses for American policy will be discussed in a subsequent article.

On balance, however, the solid achievements of the Chinese Communists to date have gained for them the enthusiastic co-operation of large numbers of Chinese and at least the passive acquiescence of many more. This fact and the reasons for it, unpalatable though they may be to many Americans, should be carefully studied by everyone concerned with the formulation of an intelligent United States policy toward China.

DERK BODDE

(The first of two articles on current developments in China. Dr. Bodde, Associate Professor of Chinese, University of Pennsylvania, has spent a total of ten years in China. From August 1948 to August 1949 he lived in Peiping as a research fellow under the Fulbright program. He has written as well as translated several books on Chinese philosophy and history.)

*Twilight in India*, by Gervae Baronte. New York, Philosophical Library, 1949. \$3.75

An attempt to expose the evils of Hinduism with its caste system, superstitions and immorality, which the author considers must be destroyed before true reform can be accomplished in India.

### News in the Making

**UNICEF—CHILDREN'S HOPE:** In a season which the peoples of many lands set aside particularly for children, everyone should bear in mind the heartening work of the United Nations Children's Emergency Fund. Among its many achievements is the program of testing and BCG vaccination of children against tuberculosis, on which the UNICEF has spent more than 5 million of the 14 million dollars it allocates for health services. This program, carried out by medical and nursing personnel drawn from many nations, now embraces twenty-four countries and knows no "iron curtains."

**COMMONWEALTH CONFERENCE:** Economic aspects of the international situation will be stressed at the Commonwealth conference which will open in Colombo, Ceylon, on January 9. Britain's delegation, led by Foreign Secretary Ernest Bevin, will include Treasury and Board of Trade officials. An important item on the agenda will be the role Britain may play in a more closely integrated Western Europe and the economic implications for the rest of the sterling area.

**MIDDLE EAST MUDDLE:** The latest move in Syria's seething internal situation—three major government shifts took place by violence in 1949—was the resignation on Christmas day of aging provisional President Hashem al-Atassi in protest against the political ambitions of army officers who had previously arrested General Sami Hinnawi, reputed advocate of union with Iraq. Later the President agreed to remain in office. The domestic crisis was complicated by the desire of Jordan's King Abdullah for a separate agreement with Israel and his dream of a greater Syria under Hashemite rule, and by Egypt's jealous concern for its pre-eminent position in the Arab world which led it, on December 26, to warn other countries to abstain from intervening in Syria's internal affairs.

**CARIBBEAN CONTROVERSY:** The Congress of the Dominican Republic on December 26 granted dictator Rafael Trujillo power to declare war against any Caribbean nation that tolerated conspirators

### FPA Bookshelf

*Ideological Differences and World Order: Studies in the Philosophy and Science of the World's Culture*, edited by F. S. C. Northrop. New Haven, Yale University Press, 1949. \$4.50

A collection of twenty-one essays by scholars of different nationalities for the purpose of examining the ideological obstacles to world order. This book covers such diverse topics as the philosophical basis of Chinese painting, Soviet law, the New Deal as a cultural phenomenon, the purpose of UNESCO and the philosophy of the Navaho Indians—thus ranging far beyond the one ideological conflict most often in the headlines.

*Controlling Factors in Economic Development*, by Harold G. Moulton. Washington, Brookings Institution, 1949. \$4.00

A member of the school of thought which believes that government economic activities should be confined to enforcing "the rules of the game" outlines some of the problems of the twentieth century on both the national and international planes. He believes that a vast rise in world standards of living is possible if "we can continue to make science, business enterprise, economics and government work effectively together toward a common end."

*Public Opinion and Foreign Policy*, by Lester Markel and others. New York, Harper for the Council on Foreign Relations, 1949. \$3.50

Nine authors conduct a stimulating discussion on the problems of forming a sound American foreign policy based on enlightened public opinion at home, as well as methods of presenting information abroad about the United States and its aims. Mr. Markel, Sunday editor of the *New York Times*, concludes that "an information-propaganda-cultural program will be essential to us for as many years ahead as we can foresee" in order to cope with a domestic public opinion that is only "one-quarter informed" and a public opinion abroad "that is widely distrustful of us."

*Faith and History, A Comparison of Christian and Modern Views of History*, by Reinhold Niebuhr. New York, Charles Scribner's Sons, 1949. \$3.50

In this series of essays one of the most provocative minds in contemporary America rejects the classical concept that history is a meaningless cycle of endless recurrences, as well as the modern secular interpretation which considers the development of man's power and freedom as "the way of emancipation from every human evil," and proposes instead the Christian view that the freedom of man is a source of both evil and good as offering greater insight into the true meaning of history.

against the Dominican regime. Over official Cuban denials, Trujillo has declared that a new invasion is being plotted in Cuba with the knowledge of the Prio Socarras government. Simultaneously, neighboring Haiti is investigating the ramifications of a conspiracy to overthrow its government "organized by certain individuals with the aid of enemies of the country abroad," allegedly in the Dominican Republic.

FOREIGN POLICY BULLETIN. Vol. XXIX, No. 12, DECEMBER 30, 1949. Published weekly from September through May inclusive and biweekly during June, July and August by the Foreign Policy Association, Incorporated. National Headquarters, 22 East 38th Street, New York 16, N. Y. BROOKS EMERY, President; VERA MICHELES DEAN, Editor; WILLIAM W. WADE, Associate Editor. Re-entered as second-class matter June 4, 1948, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Four Dollars a Year. Please allow at least one month for change of address on membership publications.